

**POWELL TOWNSHIP SCHOOL District
BIG BAY, MICHIGAN**

**FINANCIAL STATEMENTS
For the Year Ended June 30, 2008**

TABLE OF CONTENTS

Independent Auditors' Report	4
Management's Discussion and Analysis.....	6

BASIC FINANCIAL STATEMENTS **District-wide Financial Statements**

Statement of Net Assets	12
Statement of Activities	13

Fund Financial Statements

Governmental Funds:	
Balance Sheet	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	15
Statement of Revenues, Expenditures and Changes in Fund Balance.....	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities.....	17
Fiduciary Funds – Statements of Net Assets	18
Fiduciary Funds – Statement of Changes in Fiduciary Net Assets	19
Notes to Financial Statements	20

REQUIRED SUPPLEMENTAL INFORMATION

General Fund – Budgetary Comparison Schedule	32
Capital Projects Fund – Budgetary Comparison Schedule.....	33

OTHER SUPPLEMENTAL INFORMATION

Non-major Governmental Funds – Combining Balance Sheet	35
Non-major Governmental Funds – Combining Schedule of Revenues, Expenditures and Changes in Fund Balance.....	36
Non-major Special Revenue Funds – Combining Balance Sheet	37
Non-major Special Revenue Funds – Combining Schedule of Revenues, Expenditures and Changes in Fund Balance.....	38
School Lunch Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	39

Athletic Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	40
Student Activity Agency Fund – Statement of Changes in Assets And Liabilities	41

COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government</i> <i>Auditing Standards</i>	43
Report to Management	45



INDEPENDENT AUDITORS' REPORT

Board of Education
Powell Township School District
Big Bay, Michigan 49839

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Powell Township School District, as of and for the year ended June 30, 2008, which collectively comprise the Powell Township School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Powell Township School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Powell Township School District as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2008, on our consideration of the Powell Township School District's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 11 and 32 through 33, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education
Powell Township School District
Big Bay, Michigan 49839

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Powell Township School District's basic financial statements. The combining and individual non-major fund financial statements and schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

October 20, 2008

Powell Township School District Management's Discussion and Analysis (Unaudited)

Our discussion and analysis of Powell Township School District financial performance provides an overview of the School District's financial activities for the year ended June 30, 2008. Please read it in conjunction with the financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- Net assets for Powell Township School District as a whole were reported at \$554,266. Net assets are comprised of 100% governmental activities.
- During the year, Powell Township School District expenses were \$853,600, while revenues from all sources totaled \$915,097, resulting in an increase in net assets of \$61,497.
- The general fund reported an increase of \$76,968 before other financing sources (uses) and a total increase of \$28,544. This is \$15,332 higher than the forecasted increase of \$13,212.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Powell Township School District financially as a whole. The *District-wide Financial Statements* Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities the School District as a whole and present a longer-term view of those finances. The fund financial statements present the next level of detail and start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report the Powell Township School District's operations in more detail than the district-wide statements by providing information about the Powell Township School District's most significant fund – the General Fund, with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Powell Township School District acts solely as an agent for the benefit of students and parents.

Reporting the School District as a Whole – *District-wide Financial Statements*

Our analysis of the Powell Township School District as a whole begins on page 7. One of the most important questions asked about the School District's finances is "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Powell Township School District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Powell Township School District's net assets and changes in them. The Powell Township School District's net assets – the difference between assets and liabilities – is one way to measure the Powell Township School District's financial health, or financial position. Over time, increases or decreases in the Powell Township School District's net assets – as reported in the Statement of Activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the Powell Township School District's goal is to provide services to our students, not to generate profits as private-sector companies do. One must consider other non-financial factors, such as the quality of education provided, the safety of the schools and the condition of the Powell Township School District's capital assets, to assess the overall financial health of the School District.

Management's Discussion and Analysis (Unaudited) (Continued)

The Statement of Net Assets and Statement of Activities report the governmental activities for the Powell Township School District, which encompass all the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

Reporting the School District's Most Significant Funds – Fund Financial Statements

Our analysis of the Powell Township School District's major funds begins on page 9. The fund financial statements begin on page 15 and provide detailed information on the most significant funds – not the School District as a whole. Some funds are required to be established by State law, and by bond covenants. However, the Powell Township School District's Board has established other funds to help it control and manage money for particular purposes. The Powell Township School District's two kinds of funds - *governmental* and *proprietary* – use the following accounting methods.

- *Governmental funds* – All of the School District's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.

The School District as Trustee – Reporting the School District's Fiduciary Responsibilities

The Powell Township School District is the trustee, or fiduciary, for its student activity funds. All of the Powell Township School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the Powell Township School District's other financial statements because the School District cannot use these assets to finance its operations. The Powell Township School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The School District as a Whole

Table 1 provides a summary of the Powell Township School District's net assets as of June 30, 2008 and 2007.

Table 1
Net Assets

	Governmental Activities-2008	Governmental Activities-2007
Current and other assets	\$521,287	\$420,856
Capital assets, net	201,897	211,129
Total Assets	723,184	631,985
Current liabilities	126,208	74,973
Long-term liabilities	42,710	64,243
Total Liabilities	168,918	139,216
Net Assets:		
Invested in capital assets, net of related debt	\$201,897	\$211,129
Restricted	90,749	86,726
Unrestricted	261,620	194,914
Total Net Assets	\$554,266	\$492,769

Management's Discussion and Analysis (Unaudited) (Continued)

The Powell Township School District's net assets were \$554,266 at June 30, 2008. Capital assets, net of related debt totaling \$201,897, compares the original cost, less depreciation of the Powell Township School District's capital assets to long-term debt, including accreted interest on capital appreciation bonds, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets of \$261,620 was unrestricted.

The \$261,620 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal years 2008 and 2007.

Table 2
Changes in Net Assets

	Governmental Activities – 2008	Governmental Activities – 2007
Revenues:		
Program revenues:		
Charges for services	\$38,793	\$33,121
Operating grants and contributions	121,583	111,179
General revenues:		
Property taxes	730,898	693,866
State sources not restricted to specific program	-	11,755
Investment earnings	20,774	24,794
Miscellaneous	3,049	2,952
Total Revenues	<u>915,097</u>	<u>877,667</u>
Program Expenses:		
Instruction	464,791	535,322
Supporting services	232,433	294,711
Community services	300	450
Food service activities	40,908	44,547
Athletic activities	-	147
Other services	937	-
Interest on retirement of debt	-	634
Depreciation	23,231	28,213
Total Expenses	<u>853,600</u>	<u>904,024</u>
Increase (decrease) in net assets	61,497	(26,357)
Net assets, beginning	492,769	519,126
Net Assets, Ending	<u><u>\$554,266</u></u>	<u><u>\$492,769</u></u>

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$853,600. Certain activities were partially funded from those who benefited from the programs, \$38,793, or by other governments and organizations that subsidized certain programs with grants and categoricals, \$121,583. We paid for the remaining "public benefit" portion of our governmental activities with \$730,898 in taxes, \$0 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced a slight increase in net assets for the year of \$61,497.

Table 3 presents the cost of each of the School District's largest activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the School District's operation.

Management's Discussion and Analysis (Unaudited) (Continued)

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$464,791	\$451,498
Supporting services	277,120	253,849
Food service activities	22,928	25,393
Totals	\$668,756	\$730,740

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available financial resources.

The School District's Funds

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed the year, its governmental funds (as presented in the balance sheet on page 15) reported a combined fund balance of \$395,079, an increase of \$49,196 from the beginning of the year. The change in the combined fund balance was a result of Powell Township School making a conscious effort to try and reduce spending to maintain a fund balance that will assist the School in remaining financially stable for the upcoming year.

General Fund Budgetary Highlights

Over the course of the year, the School District's Board revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

BUDGETED REVENUES:

General Fund Revenues changed from Original to Final Budget during the year as follows:

	Original Budget	Final Budget	Budget Variance	
			Amount	Percent
Total	<u>\$825,124</u>	<u>\$904,350</u>	<u>\$79,226</u>	<u>9.60%</u>

Powell Township School's final budgeted revenues differed from the original budget as follows:

- By \$79,226 or 9.60% more than the original budget.

The significant increase in the budgeted revenue can be attributed partially to Grants. Grants are recognized on Powell's financial statements once Powell receives formal notice of award and approval from the state. Hence, no grants were awarded at the time of the original budget whereas all grants were awarded and approved by the time of the final budget. Also, the final budgets include grant revenues that will be utilized in the next fiscal year. The District budgeted the entire grant awarded by the grantors, even if the grants were to be eligible for carryover in the next fiscal year. The other main contributing factor was increases in tax values, resulting in increased tax revenue.

Management's Discussion and Analysis (Unaudited) (Continued)

BUDGETED EXPENDITURES:

General Fund Expenditures changed from the Original to Final budget during the year as follows:

	Original Budget	Final Budget	Budget Variance	
			Amount	Percent
Total	<u>\$765,856</u>	<u>\$837,757</u>	<u>\$71,901</u>	<u>9.39%</u>

Powell Township School's final budgeted expenditures differed from the original budget as follows:

- By \$71,901 or 9.39% more than the original budget.

The significant increase in the budgeted expenditures can be attributed partially to Grants. Grants are recognized on Powell's financial statements once Powell receives formal notice of award and approval from the state. Hence, no grants were awarded at the time of the original budget whereas all grants were awarded and approved by the time of the final budget. Also, the final budgets include grant expenditures that will be expended in the next fiscal year. The District budgeted the entire grant awarded by the grantors, even if the grants were to be eligible for carryover in the next fiscal year. The other main contributing factors were increases in heating costs, fuel for buses and bus repairs.

ACTUAL REVENUES:

The General Fund Actual Revenues differed from the Final Budget as follows:

	Actual	Final Budget	Budget Variance	
			Amount	Percent
Total	<u>\$893,590</u>	<u>\$904,350</u>	<u>(\$10,760)</u>	<u>(1.20%)</u>

Powell Township School's final budgeted revenues differed from the actual revenues as follows:

- By \$10,760 or 1.20% less than the final budget.

The significant variance in the revenue can be attributed mainly to the Huron Mountain Gifts received. The donations are budgets as grants. The final budgets include donation revenues that will be utilized in the next fiscal year. The District budgeted the entire donation awarded by the grantors, even if the donations were to be eligible for carryover in the next fiscal year.

ACTUAL EXPENDITURES:

General Fund Actual Expenditures differed from the Final budget as follows:

	Actual	Final Budget	Budget Variance	
			Amount	Percent
Total	<u>\$816,622</u>	<u>\$837,757</u>	<u>\$21,135</u>	<u>2.59%</u>

Powell Township School's final budgeted expenditures differed from the actual expenditures as follows:

- By \$21,135 or 2.59% less than the final budget.

The significant variance in the expense can be attributed mainly to the Huron Mountain Gifts received. The donations are budgets as grants. The final budgets include expenditures that will be utilized in the next fiscal year. The District budgeted the entire donation awarded by the grantors, even if the donations were to be eligible for carryover in the next fiscal year.

Management's Discussion and Analysis (Unaudited) (Continued)

Capital Asset and Debt Administration

Capital Assets

At June 30, 2008 and 2007, the School District had \$201,897 and \$211,129 invested in a variety of capital assets including land, buildings, and buses. (See table 4 below)

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities – 2008	Governmental Activities – 2007
Land	\$94,512	\$94,512
Buildings and improvements	55,998	59,496
Buses	14,834	29,154
Vehicle	900	1,801
Furniture and equipment	35,653	26,166
Totals	<u>\$201,897</u>	<u>\$211,129</u>

There were two current year additions, which were for the purchase of six new apple computers amounting to \$7,131 and the purchase of new playground equipment in the amount of \$6,868. We anticipate capital additions for the 2008-2009 fiscal year will be comparable to the 2007-2008 fiscal year.

Debt

There were no new additions to debt this year. At the end of this year, the School District had no debt payable.

Economic Factors and Next Year's Budgets

Our elected officials and administration consider many factors when setting the School District's fiscal year 2008 budget. One of the most important factors affecting the budget is the collection of local property taxes. Local property taxes account for approximately 80% percent of our revenue.

The collection of revenues by the State can also affect the School District's general operation budget. School districts throughout the state must adjust their budgets if the State decreases the per pupil foundation grant or categorical funding during its fiscal year. While we are optimistic about the 2008-09 school year, the state of the economy on a state and national level will be reflected in our budget.

Contacting the School District's Financial Management

This financial report is designated to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Powell Township Schools, P.O. Box 160, Big Bay, MI 49808

Powell Township School District
Statement of Net Assets
June 30, 2008

	Governmental Activities
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 366,227
Investments	90,253
Receivables:	
Delinquent taxes	819
Accounts receivable	451
Due from other governmental units	62,064
Inventories	496
Prepaid Expenses	977
TOTAL CURRENT ASSETS	521,287
Non-current assets:	
Land	94,512
Capital assets	676,114
Less accumulated depreciation	(568,729)
TOTAL NON-CURRENT ASSETS	201,897
TOTAL ASSETS	723,184
LIABILITIES:	
Current liabilities:	
Accounts payable	30,156
Accrued liabilities	72,728
Due to other governmental units	7,699
Deferred revenue	15,625
Current portion of long term debt obligations	-
TOTAL CURRENT LIABILITIES	126,208
Non-current liabilities:	
Non-current portion of employee benefit obligations	42,710
TOTAL NON-CURRENT LIABILITIES	42,710
TOTAL LIABILITIES	168,918
NET ASSETS:	
Invested in capital assets net of related debt	201,897
Restricted:	
CDJ	90,253
Unrestricted	262,116
TOTAL NET ASSETS	\$ 554,266

The accompanying notes are an integral part of these financial statements.

Powell Township School District

Statement of Activities

For the Year Ended June 30, 2008

Function / Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 464,791	\$ 964	\$ 95,119	\$ (368,708)
Supporting services	323,433	32,564	13,749	(277,120)
Food service activities	40,908	5,265	12,715	(22,928)
Athletic activities	-	-	-	-
Community services	300	-	-	(300)
Other services	937	-	-	(937)
Depreciation	23,231	-	-	(23,231)
Interest on retirement of debt	-	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 853,600	\$ 38,793	\$ 121,583	(693,224)
General revenues:				
Taxes				
Property taxes, levied for general purposes				718,188
Commercial forest tax				12,710
State of Michigan aid, unrestricted				-
Interest and investment earnings				20,774
Other				3,049
TOTAL GENERAL REVENUES AND TRANSFERS				754,721
Change in Net Assets				61,497
Net Assets , July 1				492,769
Net Assets, June 30, 2008				\$ 554,266

The accompanying notes are an integral part of these financial statements.

Powell Township School District

Governmental Funds

Balance Sheet

June 30, 2008

	General Fund	Library Trust Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
ASSETS:					
Cash and cash equivalents	\$ 292,027	\$ 192	\$ 73,632	\$ 376	\$ 366,227
Investments	-	90,253	-	-	90,253
Taxes Receivable	819	-	-	-	819
Accounts Receivable	132	-	-	319	451
Due from other governmental units	62,064	-	-	-	62,064
Due from other funds	-	-	-	-	-
Inventories	-	-	-	496	496
Prepaid expenses	977	-	-	-	977
TOTAL ASSETS	\$ 356,019	\$ 90,445	\$ 73,632	\$ 1,191	\$ 521,287
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ 29,461	\$ -	\$ -	\$ 695	\$ 30,156
Accrued liabilities	72,728	-	-	-	72,728
Due to other governmental units	7,699	-	-	-	7,699
Due to other fund	-	-	-	-	-
Deferred revenue	15,625	-	-	-	15,625
TOTAL LIABILITIES	125,513	-	-	695	126,208
FUND BALANCES:					
Reserved for:					
CDJ	-	90,253	-	-	90,253
Unreserved:					
Designated	-	-	73,632	-	73,632
Undesignated	230,506	192	-	496	231,194
TOTAL FUND BALANCES	230,506	90,445	73,632	496	395,079
TOTAL LIABILITIES AND FUND BALANCES	\$ 356,019	\$ 90,445	\$ 73,632	\$ 1,191	\$ 521,287

The accompanying notes are an integral part of these financial statements.

Powell Township School District

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2008

Total Fund Balances for Governmental Funds	\$	395,079
---	-----------	----------------

*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds.

Cost of capital assets	\$	770,626	
Accumulated depreciation		(568,729)	
			201,897

Long-term liabilities are not due and payable in the current period and are
not reported in the funds. Long-term liabilities at year-end consist of:

Note payable		-	
Compensated absences		42,710	
			(42,710)

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	554,266
--	-----------	----------------

The accompanying notes are an integral part of these financial statements.

Powell Township School District

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2008

	General Fund	Library Trust Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
REVENUES:					
Local sources	\$ 822,620	\$ 3,527	\$ -	5,265	\$ 831,412
State Aid	39,422	-	-	1,488	40,910
Federal sources	31,548	-	-	11,227	42,775
TOTAL REVENUES	893,590	3,527	-	17,980	915,097
EXPENDITURES:					
Current:					
Instruction	492,597	-	-	-	492,597
Supporting services	322,193	-	1,240	-	323,433
Community services	300	-	-	-	300
Food service activities	-	-	-	40,908	40,908
Athletic activities	-	-	-	-	-
Facilities acquisition	595	-	7,131	-	7,726
Debt service	-	-	-	-	-
Other	937	-	-	-	937
TOTAL EXPENDITURES	816,622	-	8,371	40,908	865,901
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	76,968	3,527	(8,371)	(22,928)	49,196
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	25,000	23,424	48,424
Transfers out	(48,424)	-	-	-	(48,424)
TOTAL OTHER FINANCING SOURCES (USES)	(48,424)	-	25,000	23,424	-
NET CHANGE IN FUND BALANCES	28,544	3,527	16,629	496	49,196
Fund Balance, July 1	201,962	86,918	57,003	-	345,883
FUND BALANCE, JUNE 30	\$ 230,506	\$ 90,445	\$ 73,632	\$ 496	\$ 395,079

The accompanying notes are an integral part of these financial statements.

Powell Township School District

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities**

For the Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$	49,196
---	-----------	---------------

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense	\$	(23,231)	
Capital outlays		13,999	
Gain (Loss) on disposal of fixed assets		-	
			(9,232)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

-

Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in sick and vacation leave	21,533	21,533
-----------------------------------	---------------	---------------

Change in Net Assets of Governmental Activities	\$	61,497
--	-----------	---------------

The accompanying notes are an integral part of these financial statements.

**Powell Township School District
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2008**

	Scholarship Fund	Student Activities Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash and equivalents	\$ 15,787	\$ 6,493
Accounts receivable	-	-
Investments	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>15,787</u>	<u><u>\$ 6,493</u></u>
LIABILITIES:		
Due to student activities	-	\$ 6,493
Due to other funds	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u><u>\$ 6,493</u></u>
NET ASSETS:		
Reserved for scholarships	<u>15,787</u>	
TOTAL NET ASSETS	<u><u>\$ 15,787</u></u>	

The accompanying notes are an integral part of these financial statements.

Powell Township School District

Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2008

	Scholarship Fund
	<hr/>
ADDITIONS:	
Private sources contributions	\$ 8,595
Interest	510
Other sources	-
	<hr/>
TOTAL ADDITIONS	9,105
	<hr/>
DEDUCTIONS:	
Scholarships awarded	700
Transfers out	-
	<hr/>
TOTAL DEDUCTIONS	700
	<hr/>
CHANGE IN NET ASSETS	8,405
	<hr/>
Net assets, July 1	7,382
	<hr/>
NET ASSETS, JUNE 30	<u><u>\$ 15,787</u></u>

The accompanying notes are an integral part of these financial statements.

POWELL TOWNSHIP SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Powell Township Schools conform to accounting principles generally accepted in the United States of America as applicable to school districts. The following is a summary of the more significant policies:

Reporting Entity

In evaluating how to define the School District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the School District and/or its constituents, or whether the activity is conducted within the geographic boundaries of the School District and is generally available to its constituents. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the School District is able to exercise oversight responsibilities.

Based upon the application of these criteria, the financial statements of the Powell Township Schools contain all the funds and account groups controlled by the District's Board of Education as no other entity meets the criteria to be considered a component unit of the School District nor is the School District a component unit of another entity.

BASIS OF PRESENTATION

District-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All of the School District's district-wide activities are considered to be governmental activities.

Fund Financial Statements:

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the School District are considered major if it meets the following criteria:

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The School District reports the General Fund as its only major governmental fund in accordance with the above criteria. The funds of the School District are described below:

Governmental Funds

General Fund – The General Fund is the main operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects), such as the School Service and Athletics Funds.

Capital Projects Fund – Capital Projects Funds are used to record bond proceeds or other revenue to be used for the acquisition or construction of major capital facilities or other capital assets, including equipment.

Fiduciary Funds

Trust and Agency Fund – The Trust and Agency Fund is used to account for assets held by the School District in a trustee capacity or as an agent for individuals, organizations, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private Purpose Trust Fund – The Private Purpose Trust Fund is used to account for the granting of scholarships and awards to qualified students.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the district-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resource measurement focus as defined in item (b) below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of Accounting

In the district-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

Cash and Equivalents

The School District cash and cash equivalents as reported in the Statement of Net Assets are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with maturities of three months or less.

Investments

Investments are carried at market value.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due From and To Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Inventory

Inventories are stated at cost, on a first-in, first-out basis, which approximates market value. Inventory recorded in the General Fund consist of centrally warehoused teaching and operating supplies for the School District. The School Lunch Fund consists of food and paper goods. For other funds, expenditures are recorded at the time of use.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Buildings and additions	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and other equipment	5 – 20 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-Term Debt

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the district-wide statements.

Compensated Absences

The School District's policies regarding compensated absences permits employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the district-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while proprietary funds report the liability as it is incurred.

Deferred Revenues

In the district-wide statements, deferred revenue is recognized when cash, receivables or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable. The School District has reported deferred revenue of \$15,625 in the General Fund for grant funding that has been received but is unearned.

Equity Classification

District-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in Capital Assets, Net of Related Debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted Net Assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
- c. Unrestricted Net Assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if appropriate.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Revenues

District-Wide Statements

In the district-wide Statement of Activities, revenues are segregated by activity (governmental or business-type), and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

Fund Statements

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the School District's policy to use the restricted resources first.

Property Taxes

Property taxes are levied on December 1, on behalf of the District by various taxing units and are payable without penalty by February 14. The District recognizes property tax revenue when levied to the extent they result in current receivables (collected within sixty days of the end of the fiscal year). Property taxes that are not collected within sixty days of the end of the fiscal year are recognized as revenue when collected.

Expenses/Expenditures

District-Wide Statements

In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

Fund Statements

In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Assets.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Budgets and Budgetary Accounting

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is approved by the Board of Education.
- d. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Education.
- e. All annual appropriations lapse at fiscal year end.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – DEPOSITS AND INVESTMENTS:

Cash Equivalents

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government and fiduciary funds from the Statement of Net Assets.

	Primary Government	Fiduciary Funds	Total
Cash and equivalents	\$366,227	\$22,280	\$388,507
Investments	90,253	-	90,253
TOTALS	<u>\$456,480</u>	<u>\$22,280</u>	<u>\$478,760</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State law does not require and the District does not have a deposit policy for custodial credit risk. The carrying amounts of the District's deposits with financial institutions were \$478,760 and the bank balance was \$487,583. The bank balance is categorized as follows:

Amount insured by the FDIC	\$105,715
Amount uncollateralized and uninsured	381,868
TOTAL	<u>\$487,583</u>

Investments

As of June 30, 2008, the District had the following investments.

Investment Type	Fair Value	Investment Maturities Less than 1 year
Certificate of Deposit	<u>\$90,253</u>	<u>\$90,253</u>

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the District's investments. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes authorize the District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The District has no investment policy that would further limit its investment choices and has no investments for which ratings are required. The District's investments are in accordance with statutory authority.

NOTE C – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

Powell Township School District reports interfund balances between some of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds. Interfund transactions resulting in interfund receivables and payables are as follows:

		DUE FROM OTHER FUNDS	
		General Fund	Total Due To Other Funds
DUE TO OTHER FUNDS	Lunch Fund	\$ -	\$ -
	Total Due From Other Funds	\$ -	\$ -

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. See table below.

		Transfer Out To Other Funds		
		General Fund	Trust Fund	Total Transfer In
Transfer In From Other Funds	General Fund	\$ -	\$ -	\$ -
	Lunch Fund	23,424	-	23,424
	Athletic Fund	-	-	-
	Capital Projects Fund	25,000	-	25,000
	Total Transfers Out	\$48,424	\$ -	\$48,424

NOTE C – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued):

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE D – CAPITAL ASSETS:

Capital assets activity of the School District's governmental activities was as follows:

	Balance at 7/01/07	Additions	Disposals	Balance at 6/30/08
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$94,512	\$ -	\$ -	\$94,512
Total Capital Assets not being Depreciated	94,512	-	-	94,512
Capital assets being depreciated:				
Buildings and improvements	347,716	-	-	347,716
Buses	169,093	-	-	169,093
Vehicle	7,204	-	-	7,204
Furniture and equipment	138,102	13,999	-	152,101
Total Capital Assets being Depreciated	662,115	13,999	-	676,114
Less accumulated depreciation:				
Buildings and improvements	\$(288,220)	\$(3,498)	\$ -	\$(291,718)
Buses	(139,939)	(14,320)	-	(154,259)
Vehicle	(5,403)	(901)	-	(6,304)
Furniture and equipment	(111,936)	(4,512)	-	(116,448)
Total Accumulated Depreciation	(545,498)	(23,231)	-	(568,729)
Governmental Activities Capital Assets, Net	\$211,129	\$(9,232)	\$ -	\$201,897

NOTE E – LONG-TERM OBLIGATIONS:

A summary of changes in long-term obligations at June 30, 2008 and transactions related thereto for the year then ended is as follows:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008
Employee Benefits – terminal leave	\$64,243	\$ -	\$21,533	\$42,710
Total	\$64,243	\$ -	\$21,533	\$42,710

Employee Benefits

The School District accrues the liability for earned sick leave based on the termination method. The liability is accrued as the benefits are earned. The current labor agreements stipulate sick leave must be taken in order to be paid, except at retirement. Benefits shall be paid to employees who have reached the retirement age as stated in the Michigan General Schools Laws and used by the Michigan Public Schools Employees Retirement Board and have spent a minimum of 10 years of full time service or become totally disabled. Teachers earn 10 days of sick leave per year and can accumulate up to a maximum of 200 days for teacher hired prior to July 1, 2003 and 100 days for

NOTE E – LONG-TERM OBLIGATIONS (Continued):

teachers hired after July 1, 2003. Upon termination of employment, accrued sick days are paid at the rate of \$50 per day for the first 100 days and \$60 per day for 101 to 200 days. Other non-teaching employees earn one sick day per month they work and may accrue up to 200 sick leave days, and are paid for up to 100 sick leave days upon retirement at the rate of \$50 per day.

NOTE F – STATE REVENUE:

The State of Michigan currently uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on the weighted average of pupil membership counts taken in February and September of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2007 - August 2008.

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

NOTE G – PROPERTY TAXES:

The taxable value of real and personal property located in the School District at December 31, 2007 totaled \$62,133,378 (\$21,001,334 designated as Homestead and \$41,132,044 designated as Non-Homestead). The total tax levied consists of 17.4491 mills for the General Fund.

NOTE H – EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:

Substantially all of the District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of creditable service or at age sixty while still working with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date.

The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

NOTE H – EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued):

The MPSERS also provides death, disability, health, medical, dental, vision and hearing insurance coverage. Benefits are established by state statute.

The District was required by state statute to contribute 17.74% of covered compensation to the Plan through September 30, 2007 and 16.72% of covered compensation for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2008 was \$81,843 which consisted of \$67,223 from the District and \$14,620 from employees electing the MIP option. These represent approximately 16% and 3% of covered payroll, respectively. The District's aggregate contributions to the MPSERS Plan for the years ended June 30, 2007 and 2006 were \$75,577 and \$79,767, respectively.

Payroll paid to employees covered by the System for the year ended June 30, 2008 was approximately \$421,000. The District's total payroll was approximately \$437,000.

Other Post-Employment Benefits

In addition to pension benefits, MPSERS provides comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of the retiree. The portion provided by MPSERS is factored into the pension contribution rate.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan. MPSERS' issues a publicly available financial report that includes financial statements and required supplementary information for the system. More information may be obtained by writing MPSERS at MPSERS, P.O. Box 30673, Lansing, Michigan 48909-8173.

NOTE I – CONTINGENT LIABILITIES:

Grant Assistance

The School District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District.

Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees (worker's compensation); and natural disasters. The District has purchased commercial insurance for health claims and participates in the SET/SEG (risk pool) for claims relating to worker's compensation and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the District participates operates as a common risk-sharing management program for school districts in Michigan. Member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The District estimates that the amount of actual or potential claims, if any, against the District as of June 30, 2008, not covered by insurance are not material to the general purpose financial statement. Therefore, no provision for estimated claims is recognized.

NOTE J – ECONOMIC DEPENDENCY:

The School District receives approximately 9 percent of its revenues through State and Federal sources and 80 percent through property tax revenue to be used for providing elementary education to the students of Powell Township Schools.

NOTE K – ENDOWMENT FUNDS:

The Library Trust Fund contains endowment monies from the Carl Don Johnson Fund. The original amount of the endowment was \$100,000. Of that, \$90,000 is retained by the School District in the form of Certificates of Deposits at the Marquette Catholic Credit Union with the restrictions that the corpus of the endowment is to be retained and the income is to be restricted to library use.

The School District transferred the balance of the endowment, \$10,000, irrevocably to Marquette Community Foundation ("Foundation") for the creation of the Powell Township Education Fund (the "Fund") during the year ended June 30, 2001. The School District entered into an agreement with the Foundation on July 18, 2000 for the creation of the Fund. The Fund's purpose is to benefit educational purposes within Powell Township School District. If the School District should cease to exist, the Fund would be used for educational purposes in Powell Township.

NOTE L – ACCRUED LIABILITIES:

A summary of accrued liabilities at June 30, 2008 is as follows:

	Governmental Activities
Accrued wages	\$58,615
Accrued fringes	14,113
TOTAL	<u>\$72,728</u>

NOTE M – RESERVED AND DESIGNATED FUND EQUITY:

The School District reserves fund equities for the following funds:

Library Trust Fund – The resources of the Library Trust Fund have been accumulated for the specific purpose of library use. The fund equity is reserved for this purpose.

NOTE N – NONMONETARY TRANSACTIONS:

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the School Lunch Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities utilized. The School District recognized \$1,539 during fiscal year 2007-08 in revenues and expenditures for USDA commodities.

NOTE O – SINGLE AUDIT:

The District's audited financial statements report a total of \$42,775 in federal expenditures. As this amount is less than the single audit threshold of \$500,000, the District is therefore not required to have an audit in accordance with OMB Circular A-133 for the fiscal year ended June 30, 2008.

REQUIRED SUPPLEMENTAL INFORMATION

Powell Township School District

General Fund

Budgetary Comparison Schedule

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Local sources	\$ 787,243	\$ 835,177	\$ 822,620	\$ 47,934	\$ (12,557)
State sources	37,881	35,557	39,422	(2,324)	3,865
Federal sources	-	33,616	31,548	33,616	(2,068)
TOTAL REVENUES	825,124	904,350	893,590	79,226	(10,760)
EXPENDITURES:					
Instruction					
Basic programs	405,028	440,042	429,137	(35,014)	10,905
Added needs	45,447	65,368	63,460	(19,921)	1,908
Supporting Services					
Pupil services	9,583	19,388	20,227	(9,805)	(839)
Instructional staff	37,314	36,186	33,234	1,128	2,952
General administration	83,500	76,762	83,068	6,738	(6,306)
Business services	32,600	26,000	24,556	6,600	1,444
Operation and maintenance	89,585	98,357	97,977	(8,772)	380
Transportation	57,562	67,116	60,629	(9,554)	6,487
Central	1,990	2,806	2,502	(816)	304
Community Services	432	432	300	-	132
Capital Outlay	2,500	2,000	595	500	1,405
Debt Service	-	-	-	-	-
Other	315	3,300	937	(2,985)	2,363
TOTAL EXPENDITURES	765,856	837,757	816,622	(71,901)	21,135
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	59,268	66,593	76,968	7,325	10,375
OTHER FINANCING SOURCES (USES)					
Transfers in	188	188	-	-	(188)
Transfers out	(49,285)	(53,569)	(48,424)	(4,284)	5,145
TOTAL OTHER FINANCING SOURCES (USES)	(49,097)	(53,381)	(48,424)	(4,284)	4,957
NET CHANGE IN FUND BALANCE	10,171	13,212	28,544	3,041	15,332
Fund Balance, July 1	201,962	201,962	201,962	-	-
FUND BALANCE, JUNE 30	\$ 212,133	\$ 215,174	\$ 230,506	\$ 3,041	\$ 15,332

Powell Township School District

Capital Projects Fund

Budgetary Comparison Schedule

For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Interest	\$ -	\$ -	\$ -
Sale of Fixed Assets	-	-	-
Other revenues	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	<hr/> -	<hr/> -	<hr/> -
EXPENDITURES:			
Operations & Maintenance	1,240	1,240	-
Capital outlay	23,760	7,131	16,629
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	<hr/> 25,000	<hr/> 8,371	<hr/> 16,629
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<hr/> (25,000)	<hr/> (8,371)	<hr/> 16,629
Other Financing Sources (Uses):			
Transfer in - General Fund	25,000	25,000	-
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES	<hr/> 25,000	<hr/> 25,000	<hr/> -
NET CHANGE IN FUND BALANCE	-	16,629	16,629
FUND BALANCE, JULY 1	<hr/> 57,003	<hr/> 57,003	<hr/> -
FUND BALANCE, JUNE 30	<hr/> \$ 57,003	<hr/> \$ 73,632	<hr/> \$ -

OTHER SUPPLEMENTAL INFORMATION

Powell Township School District

Non-Major Governmental Funds

Combining Balance Sheet

June 30, 2008

	Special Revenue Funds	Total
ASSETS:		
Cash and cash equivalents	\$ 376	\$ 376
Accounts Receivable	319	319
Due from other funds	-	-
Inventory	496	496
TOTAL ASSETS	<u>\$ 1,191</u>	<u>\$ 1,191</u>
LIABILITIES AND FUND BALANCES:		
LIABILITIES:		
Accounts payable	\$ 695	\$ 695
Due to other funds	-	-
Deferred revenues	-	-
TOTAL LIABILITIES	<u>695</u>	<u>695</u>
FUND BALANCES:		
Reserved for school service activities	496	496
Designated for capital outlay	-	-
TOTAL FUND BALANCES	<u>496</u>	<u>496</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,191</u>	<u>\$ 1,191</u>

Powell Township School District

Non-Major Governmental Funds

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2008

	Special Revenue Funds	Total
REVENUES:		
Athletic activities	\$ -	\$ -
School lunch activities	5,265	5,265
State aid	1,488	1,488
Federal sources	11,227	11,227
TOTAL REVENUES	17,980	17,980
EXPENDITURES:		
School lunch activities	40,908	40,908
Athletic activities	-	-
Capital outlay	-	-
Other	-	-
TOTAL EXPENDITURES	40,908	40,908
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(22,928)	(22,928)
OTHER FINANCING SOURCES (USES):		
Other sources	-	-
Transfers in	23,424	23,424
Other Uses	-	-
TOTAL OTHER FINANCING SOURCES (USES)	23,424	23,424
NET CHANGE IN FUND BALANCE	496	496
Fund Balance, July 1	-	-
FUND BALANCE, JUNE 30	\$ 496	\$ 496

Powell Township School District

Non-Major Special Revenue Funds

Combining Balance Sheet

June 30, 2008

	<u>School Lunch Fund</u>	<u>Athletic Fund</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 376	\$ -	\$ 376
Accounts Receivable	319		319
Due from other funds	-		-
Inventory	<u>496</u>	<u>-</u>	<u>496</u>
TOTAL ASSETS	<u>\$ 1,191</u>	<u>\$ -</u>	<u>\$ 1,191</u>
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts payable	\$ 695	\$ -	\$ 695
Due to other funds	-	-	-
Deferred revenues	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>695</u>	<u>-</u>	<u>695</u>
FUND BALANCES:			
Reserved for school service activities	<u>496</u>	<u>-</u>	<u>496</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,191</u>	<u>\$ -</u>	<u>\$ 1,191</u>

Powell Township School District

Non-Major Special Revenue Funds

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2008

	<u>School Lunch Fund</u>	<u>Athletic Fund</u>	<u>Total</u>
REVENUES:			
Athletic activities	\$ -	\$ -	\$ -
School lunch activities	5,265	-	5,265
State aid	1,488	-	1,488
Federal sources	<u>11,227</u>	<u>-</u>	<u>11,227</u>
TOTAL REVENUES	<u>17,980</u>	<u>-</u>	<u>17,980</u>
EXPENDITURES:			
School lunch activities	40,908	-	40,908
Athletic activities	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>40,908</u>	<u>-</u>	<u>40,908</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(22,928)</u>	<u>-</u>	<u>(22,928)</u>
OTHER FINANCING SOURCES (USES):			
Other Sources	-	-	-
Transfers in	23,424	-	23,424
Other Uses	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>23,424</u>	<u>-</u>	<u>23,424</u>
NET CHANGE IN FUND BALANCE	496	-	496
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u><u>\$ 496</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 496</u></u>

Powell Township School District

School Lunch Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
School lunch activities	\$ 5,500	\$ 5,265	\$ (235)
State aid	303	1,488	1,185
Federal sources	<u>7,900</u>	<u>11,227</u>	<u>3,327</u>
TOTAL REVENUES	<u>13,703</u>	<u>17,980</u>	<u>4,277</u>
EXPENDITURES:			
Operations & Maintenance:			
Purchased services	900	840	60
Supplies and materials	850	1,082	(232)
School lunch activities:			
Salaries	15,201	14,976	225
Employee benefits	13,326	10,582	2,744
Purchased services	550	301	249
Supplies and materials	12,200	12,898	(698)
Capital Outlay	-	-	-
Dues and fees	225	224	1
Other	<u>5</u>	<u>5</u>	<u>-</u>
TOTAL EXPENDITURES	<u>43,257</u>	<u>40,908</u>	<u>2,349</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(29,554)	(22,928)	6,626
OTHER FINANCING SOURCES (USES):			
Other Sources	1,185	-	(1,185)
Transfer from general fund	28,369	23,424	(4,945)
Other Uses	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES):	<u>29,554</u>	<u>23,424</u>	<u>(6,130)</u>
NET CHANGE IN FUND BALANCE	-	496	496
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u><u>\$ -</u></u>	<u><u>\$ 496</u></u>	<u><u>\$ 496</u></u>

Powell Township School District

Athletic Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2008

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Athletic activities	\$ -	\$ -	\$ -
TOTAL REVENUES	-	-	-
EXPENDITURES:			
Athletic activities:			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	-	-	-
Supplies and materials	200	-	200
Other expenses	-	-	-
TOTAL EXPENDITURES	200	-	200
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(200)	-	200
OTHER FINANCING SOURCES (USES):			
Transfers from general fund	200	-	(200)
TOTAL OTHER FINANCING SOURCES (USES)	200	-	(200)
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance, July 1	-	-	-
FUND BALANCE, JUNE 30	\$ -	\$ -	\$ -

Powell Township School District

Student Activity Agency Fund

Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2008

	<u>Balance July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30</u>
ASSETS:				
Cash and cash equivalents	\$ 3,917	\$ 4,790	\$ 2,214	\$ 6,493
TOTAL ASSETS	<u>\$ 3,917</u>	<u>\$ 4,790</u>	<u>\$ 2,214</u>	<u>\$ 6,493</u>
LIABILITIES:				
Due to Parent Group	\$ 2,771	\$ 1,513	\$ 1,603	\$ 2,681
Due to Class Trip	473	3,269	611	3,131
Due to Class Trip 2007	171	2	-	173
Due to Class Trip 2009	170	2	-	172
Due to Class Trip 2011	250	3	-	253
Due to Class Trip 2013	<u>82</u>	<u>1</u>	<u>-</u>	<u>83</u>
TOTAL LIABILITIES	<u>\$ 3,917</u>	<u>\$ 4,790</u>	<u>\$ 2,214</u>	<u>\$ 6,493</u>

COMPLIANCE SECTION



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education
Powell Township School District
PO Box 160
101 Deutsch Avenue
Big Bay, MI 49808

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Powell Township School District, as of and for the year ended June 30, 2008, which collectively comprise the Powell Township School District's basic financial statements and have issued our report thereon dated October 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Powell Township School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Powell Township School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Powell Township School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Powell Township School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Powell Township School District's financial statements that is more than inconsequential will not be prevented or detected by the Powell Township School District's internal control. We consider the deficiencies described in the accompanying report to management to be significant deficiencies in internal control over financial reporting as item 08-01.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Powell Township School District's internal control.

To the Board of Education
Powell Township School District

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Powell Township School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

Powell Township School District's response to the findings identified in our audit is described in the accompanying report to management. We did not audit Powell Township School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Education, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

October 20, 2008



Powell Township School District
Report to Management Letter
For the Year Ended June 30, 2008

Board of Education
Powell Township School District
Big Bay, Michigan 49808

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Powell Township School District as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Powell Township School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

08-01 – SEGREGATION OF DUTIES (REPEAT)

Condition/Criteria: The accounting staff of the Powell Township School District is made up of one individual, which does not allow for segregation of duties.

Effect: Because of the limited staff, there is an increased chance that misstatements in financial statements would not be prevented or detected on a timely basis.

Cause of Condition: The size of the organization's accounting staff precludes certain internal design controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

Recommendation: Smaller organizations, due to limited resources, are generally more sensitive to the cost of implementing these design controls and often have compensating controls to partially mitigate this deficiency.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Kim Bourgeois, Business Manager
- Corrective Action Planned:
 - The Board of Education closely monitors all payments and reviews the financial statements on a month basis. The Board of Education has also hired MARESA to provide accounting review services for the School.
- Anticipated Completion Date:
 - Not Applicable

Powell Township School District's written response to the significant deficiencies identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the management, Board of Education, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

October 20, 2008